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Attorneys for Western Resource Advocates

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR THE ESTABLISHMENT
OF JUST AND REASONABLE RATES
AND CHARGES DESIGNED TO REALIZE
A REASONABLE RATE OF RETURN ON
THE FAIR VALUE OF THE PROPERTIES
OF TUCSON ELECTRIC POWER
COMPANY DEVOTED TO ITS
OPERATIONS THROUGHTOUT THE
STATE OF ARIZONA AND FOR RELATED
APPROVALS.

Docket No. E-01933A-15-0239

Docket No. E-01933A-15-0322

**NOTICE OF FILING
SURREBUTTAL TESTIMONY OF
STEVEN S. MICHEL FOR
WESTERN RESOURCE
ADVOCATES**

Western Resource Advocates ("WRA"), through its undersigned counsel, hereby
provides notice that it has this day filed the written surrebuttal testimony of Steven S.
Michel in connection with the above-captioned matter.

///

///

Arizona Corporation Commission

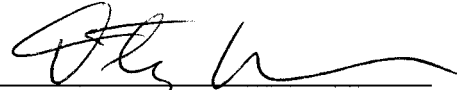
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1 DATED this 25th day of August, 2016.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST

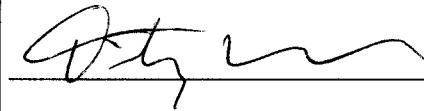
4 By 
5 Timothy M. Hogan
6 202 E. McDowell Rd., Suite 153
7 Phoenix, Arizona 85004
8 *Attorneys for Western Resource Advocates*

9 ORIGINAL and 13 COPIES of
10 the foregoing filed this 25th day
11 of August, 2016, with:

12 Docketing Supervisor
13 Docket Control
14 Arizona Corporation Commission
15 1200 W. Washington
16 Phoenix, AZ 85007

17 COPIES of the foregoing
18 electronically mailed this
19 25th day of August, 2016 to:

20 All Parties of Record

21 
22
23
24
25

BEFORE THE ARIZONA CORPORATION COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
TUCSON ELECTRIC POWER COMPANY FOR THE)
ESTABLISHMENT OF JUST AND REASONABLE)
RATES AND CHARGES DESIGNED TO REALIZE A)
REASONABLE RATE OF RETURN ON THE FAIR)
VALUE OF THE PROPERTIES OF TUCSON)
ELECTRIC POWER COMPANY DEVOTED TO ITS)
OPERATIONS THROUGHOUT THE STATE OF)
ARIZONA AND FOR RELATED APPROVALS)**

Docket No. E-01933-A-15-0239

Docket No. E-01933-A-15-0322

Surrebuttal Testimony of

Steven S. Michel

for

Western Resource Advocates (WRA)

August 25, 2016

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2
3 A. My name is Steven S. Michel. My business address is Western Resource Advocates,
4 409 East Palace Avenue, Unit 2, Santa Fe, New Mexico 87501.

5
6 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

7 A. I am employed by Western Resource Advocates ("WRA") as Chief Counsel of its
8 Energy Program. WRA is an environmental law and policy organization working in the
9 interior Western United States. In my role as Chief Counsel I oversee a group of WRA
10 attorneys, economists, analysts and assistants that appear before public utility
11 commissions and in other forums.

12
13 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

14 A. I am testifying on behalf of Western Resource Advocates ("WRA").

15
16 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS CASE?**

17 A. Yes. I filed direct testimony on revenue requirement issues on June 3, 2016. In that
18 testimony I challenged the cost recovery of approximately \$20 million associated with a
19 capital investment at the San Juan Generating Station called "Balanced Draft." My testimony
20 was that the installation cost was imprudent and not useful and should be disallowed.

21
22 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

23 A. In this testimony I will explain WRA's support for the *Settlement Agreement*
24 *Regarding Revenue Requirement*, which was submitted on August 15, 2016.

1 **Q. WHY DOES WRA SUPPORT THE *SETTLEMENT AGREEMENT*?**

2 **A.** One concern of WRA's with respect to the Balanced Draft installation was that it
3 could create an incentive for Tucson Electric Power (TEP) to extend its participation in the
4 San Juan plant beyond 2022, in order to secure full cost recovery of that project. The
5 Settlement Agreement alleviates that concern by, in paragraph 4.1, recognizing that TEP's
6 share of San Juan will be fully depreciated by 2022. That year is important because both the
7 coal supply and ownership participation agreements at San Juan Generating Station are
8 scheduled to end in that year. It is also the year that EPA's Clean Power Plan to regulate CO₂
9 emissions is scheduled to begin, assuming it is upheld in Court. For these reasons, among
10 others, it makes sense for TEP to financially prepare to end its participation in the plant in
11 2022. The Settlement enables that preparation, and WRA believes that the revised
12 depreciation schedule provides a reasonable resolution to the Balanced Draft issue.

13 My understanding is that the depreciation expense and timeframe for other assets
14 owned by TEP will be simultaneously adjusted so that the change to San Juan's depreciable
15 life will not affect TEP's overall revenue requirement.

16
17 **Q. WHAT ACTION DO YOU RECOMMEND THAT THE ARIZONA CORPORATION**
18 **COMMISSION TAKE WITH RESPECT TO THE *SETTLEMENT AGREEMENT*?**

19 **A.** My opinion is that the August 15th *Settlement Agreement*, with respect to the issues I
20 have addressed, is in the public interest and should be approved by the Commission.

21
22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 **A.** Yes.